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# Program Memorandum Intermediaries

Department of Health and  
Human Services (DHHS)  
Center For Medicare &  
Medicaid Services (CMS)

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## CHANGE REQUEST 1723

**SUBJECT: Changes to Fiscal Year (FY) 2001 Hospital Inpatient and Outpatient Prospective Payment System (PPS) Policies As Required by the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act (BBRA) of 1999, P.L. 106-113**

The BBRA, enacted on November 29, 1999, contained numerous provisions affecting inpatient hospital payment policies. Specifically, §402 stated that for FYs 2001 and 2002, hospitals can elect to use standards published on March 30, 1990, for purposes of qualifying as an urban hospital under §1886(d)(8)(B) of the Act.

Beginning October 1, 1988, §1886(d)(8)(B) of the Act required us to treat a hospital located in a rural county adjacent to one or more urban areas as being located in the metropolitan statistical area (MSA) to which the greatest number of workers in the county commute if (1) the rural county would otherwise be considered part of an urban area under the standards published in the **Federal Register** on January 3, 1980, (45 FR 956) for designating MSAs (and for designating New England County Metropolitan Areas (NECMAs)), and (2) the commuting rates used in determining outlying counties (or, for New England, similar recognized areas) were determined on the basis of the aggregate number of resident workers who commute to (and, if applicable under the standards, from) the central county or counties of all contiguous MSAs (or NECMAs). Data from the 1980 census was used to determine MSAs as well as other relevant criteria. Hospitals that met the criteria under §1886(d)(8)(B) were deemed urban for purposes of the standardized amounts and for purposes of assigning the wage index.

On March 30, 1990, the Office of Management and Budget (OMB) issued revised standards (55 FR12154) for designating MSAs. During FY 1994, we incorporated the revised MSA definitions based on 1990 census population data. As a result, some counties that previously were treated as an adjacent county under §1886(d)(8)(B) of the Act officially became part of certain MSAs. However, as specified in the Act, we continued to utilize the January 3, 1980, standards for designating MSAs. For FY 2000, there were 27 hospitals in 22 counties that were deemed urban under the January 3, 1980, standards.

Section 402 of Public Law 106-113 provides that, with respect to FYs 2001 and 2002, a hospital may elect to have the March 30, 1990, standards applied to it for purposes of §1886(d)(8)(B) and that, beginning with FY 2003, hospitals will be required to use the standards published in the **Federal Register** by the Director of OMB based on the most recent decennial census.

There are now a total of 41 hospitals in 31 counties affected by §1886(d)(8)(B) of the Act. We will incorporate these changes into the FY 2002 PRICER and wage index updates; however, these changes were not incorporated into the FY 2001 PRICER and wage index. For payment purposes, these hospitals are to be treated as though they were reclassified for purposes of both the standardized amount and the wage index, as well as capital geographic adjustment factors, including large urban add-on, where appropriate (see 42 CFR §412.316). We have recalculated FY 2001 wage indexes for hospitals in the affected counties, and these are listed in the table below. No other hospitals' wage indexes were affected, including those in the areas to which these hospitals were reclassified. The MSAs in the table are the MSAs applicable for wage index assignment, not necessarily the MSA where the hospital is geographically located. In some cases, hospitals are already reclassified by the Medicare Geographic Classification Review Board (MGCRB) for wage index and/or standardized amount purposes. An approval from the MGCRB would prevail over the provision of this Program Memorandum (PM).

We believe this is a comprehensive list of hospitals whose payments are affected by this provision for FY 2001. However, if there are other hospitals located in the counties affected by this provision, these should be treated similarly to other hospitals in their county.

Old MSA Wage Index Provider Only		Old Wage Index	New MSA Wage Index and Standardized Amount	New Wage Index
010043	01	0.75280	1000A	0.8490
010072	01	0.75280	0450A	0.7871
010101	01	0.75280	0450A	0.7871
100098	10	0.89280	8960A	0.9615
100103	10	0.89280	3600A	0.9208
100232	5790A	0.92430	2900A	1.0074
110130	11	0.83290	0500A	0.9739
140230	14	0.81600	1400A	0.9069
230027	4040A	0.99340	3000A	1.0119
340071	2560A	0.84690	6640A	0.9506
340124	2560A	0.84690	6640A	0.9506
390030	39	0.85780	6680A	0.8992
390181	39	0.85780	6680A	0.8992
390183	39	0.85780	6680A	0.8992
390201	39	0.85780	5640A	1.0890

Implement the new FY 2001 wage index values for these providers upon receipt of this PM by making accelerated payments based on the new wage indexes published above until the availability of the 10/01 inpatient and outpatient PRICERs (estimated release date, October 2001). Change the inpatient provider specific file for each provider listed above so that its wage index and standardized amount MSAs are equal to the new MSA listed above and code a "Y" in the change code for wage index reclassification after installation of the 10/01 inpatient PRICER and prior to processing these claims through the new inpatient PRICER. Intermediaries must also use the new inpatient PRICER to reprocess, through debit-credit adjustments, discharges on or after October 1, 2000, and before implementation of the new inpatient PRICER software.

Change the outpatient provider specific file for each provider listed above so that its wage index MSA is equal to the new MSA listed above and code a "Y" in the change code for wage index reclassification after installation of the 10/01 outpatient PRICER and prior to processing these claims through the new outpatient PRICER. Intermediaries must also use the new outpatient PRICER to reprocess, through debit-credit adjustments, discharges on or after January 1, 2001, and before implementation of the new 10/01 outpatient PRICER software.

Because the reclassified wage index for MSA 3600 is already coded correctly (.9208), you may make the change to the provider specific file and adjust prior claims immediately.

**The effective date for this PM is August 17, 2001.**

**The implementation date for this PM is November 30, 2001.**

**These instructions should be implemented within your current operating budget.**

**This PM may be discarded after August 31, 2002.**

**If you have any questions, contact Anne Tayloe at 410-786-4546.**